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No. 85-266

IN THE

Supreme Court of the United States

OCTOBER TERM, 1985

WILCO MARSH BUGGIES AND DRAGLINES, INC.
JOHN M. WILSON, SR., DEAN R. WILSON,
and ROBERT J. WILSON, JR.,

Petitioners,

v.

KORI CORPORATION, HUEY J. RIVET,
and LOUIS WOODSON,

Respondents.

PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF
APPEALS FOR THE FEDERAL CIRCUIT

PETITIONERS' REPLY BRIEF

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PETITIONERS' REPLY BRIEF

Respondents make only two arguments in their opposition to the petition for certiorari. Only a few words are needed to demonstrate the total lack of merit in those arguments.

FIRST, THE FIFTH CIRCUIT HAD JURISDICTION TO REVIEW THE TRIAL COURT'S INTERLOCUTORY DECISION OF DECEMBER 11, 1981 GRANTING AN INJUNCTION UNDER 28 U.S.C. § 1291(a)(1).

Respondents' primary argument, spanning pages 1 through 7 of their 8-page response in opposition to the petition for certiorari, is predicated upon an inaccurate premise. The inaccurate premise is that the interlocutory appeal to the Fifth Circuit was based on 28 U.S.C. § 1291(a)(4) for review of decisions that are "final except for accounting." Respondents' argument continues that because the District Court's December, 1981 interlocutory decision was allegedly this type of "final" decision, the individual Petitioners, the Wilsons, were required to raise all issues to the Fifth Circuit that had been decided by the District Court in December of 1981 on penalty of waiver. By choosing not to raise the issue of personal liability during the interlocutory appeal to the Fifth Circuit, Respondents conclude that the Wilsons waived their right to have this issue decided on appeal to the Federal

Circuit from the District Court's final decision in August of 1982.[1] The short answer to this argument is, of course, that the Fifth Circuit had jurisdiction under 28 U.S.C. § 1291(a)(1) for interlocutory review of decisions granting injunctions, and did not assume jurisdiction under 28 U.S.C. § 1291(a)(4). A further answer is that the Federal Circuit did not make the fine distinction between interlocutory appeals under 28 U.S.C. § 1291(a)(4) and 28 U.S.C. § 1291(a)(1) upon which Respondents rely. Instead, here as in the case of *Smith International, Inc.* v. *Hughes Tool Co.*, Petition No. 84-1995, the Federal Circuit erroneously applied the doctrine of law of the case in the same fashion as *res judicata* without regard to the statutory basis for the prior interlocutory appeal.

As indicated in the Petition at 4-5, the Fifth Circuit *sua sponte* questioned whether it had jurisdiction under 28 U.S.C. § 1291(a)(4) and requested supplemental briefing. Petitioners advised the Fifth Circuit that jurisdiction was proper under 28 U.S.C. § 1291(a)(1) for review of decisions granting injunctions and that review should be confined to the validity of the injunction, "which would naturally involve only the findings relative to patent validity and infringement in connection with the issuance of the injunction." (Supplemental Brief to Fifth Circuit at 2). Thereafter, the Fifth Circuit limited its review to the issues of patent validity in view of certain known technology and patent infringement by "Wilco's models." (Petition at 5-6; 708 F.2d at 154-56; A. 79-84). Following this procedure, the Petitioners and the Fifth Circuit expressly agreed that certain issues, including the alleged right to attorney fees would be reserved for further proceedings. (Petition at 5; 708 F.2d at 154, n. 1; A. 80). Clearly, the District Court's December, 1981 interlocutory decision was not reviewed as though "final".

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[1] This argument is, of course, based upon Respondents' interpretation of the Federal Circuit's opinion. No such argument was made by Respondents to the Federal Circuit.

Respondents have not argued that the Federal Circuit's refusal to consider the issue of personal liability could be justified if the Fifth Circuit assumed jurisdiction under 28 U.S.C. § 1291(a)(1). This is because it is well settled that only those issues necessary to the entry of the injunction need be appealed and matters that could have been appealed, but were not, are not foreclosed. 16 WRIGHT, MILLER, COOPER & GRESSMAN, FEDERAL PRACTICE AND PROCEDURE §§ 3921, 3924 (1985). The only issues necessary to entry of the injunction were those expressly considered by the Fifth Circuit: patent validity and infringement. The Wilsons, as officers of the Defendant corporation, Wilco, were, of course, subject to the terms of the injunction regardless of the issue of their personal liability for damages. FED. R. CIV. P. 65(d) (A. 93). The question of their personal liability for damages was not an issue which necessarily had to be decided to permit entry of the injunction. Accordingly, there was no duty to raise that issue during the interlocutory appeal to the Fifth Circuit.

SECOND, RESPONDENTS CONCEDE THAT CERTAIN ISSUES WERE NOT BEFORE THE FIFTH CIRCUIT AND WERE NOT WAIVED.

Respondents state:

> Respondents recognize that the Petitioners reserved their right to appeal the issue relating to attorney fees after the accounting phase of the bifurcated trial was completed.

(Response at 7). Without analysis, Respondents simply conclude that this reservation "did not and should not affect the personal liability issue . . . ." *Id.* at 8. This lack of analysis is revealing. Even if Respondents' "waiver" arguments were plausible, the only aspect of the District Court's December, 1981 opinion that was not expressly reserved for further proceedings was the District Court's conclusion that the Wilsons were liable for inducing infringement under 35 U.S.C. § 271. (Conclusions of Law No. 23; A. 48). But questions of inducing infringment for purposes of liability for compensatory damages under 35 U.S.C. § 271 are wholly separate from the questions of willfulness and "exceptional case" for purposes of awarding attorney fees under

35 U.S.C. § 285 and punitive damages under 35 U.S.C. § 284(2). Further, nowhere in the District Court's December, 1981 decision is there any reference to the possibility of an award of punitive damages against any of the Petitioners. As such, there was no basis for appeal of the issue of personal liability for punitive damages to the Fifth Circuit. Because conduct above and beyond merely "inducing infringement" must be found to justify punitive damages and attorney fees, the District Court's conclusions and findings on these issues were properly before the Federal Circuit by being either expressly reserved as indicated by the Fifth Circuit, or not reached by the District Court until its final decision in 1982.

CONCLUSION

Respondents concede that the issue of the personal liability of the Wilsons was not decided either expressly or by clear implication by the Fifth Circuit. (Response at 2, 8). The Federal Circuit's conclusion to the contrary was in error. Here, as in the *Smith International, Inc.* v. *Hughes Tool Co.*, Petition No. 84-1995, the Federal Circuit has grievously misapplied the doctrine of law of the case. The petition for certiorari should be granted.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that three (3) true and accurate copies of Petitioners' Reply Brief were mailed by first class mail, postage prepaid, to James B. Gambrell of Pravel, Gambrell, Hewitt & Kimball, 1177 West Loop South, Suite 1010, Houston, Texas 77027, on this the 27th day of September, 1985.

Jeffrey W. Tayon